

SB 508

Allow Public School Consideration in Impact Fees

Fairness and Consistency for all Montana Taxpayers

This bill seeks to revise impact fee laws by **allowing local government more flexibility in assessing the impact and cost of new growth as it relates to K-12 educational costs for capital facilities.** SB 508 does not require an impact fee nor does it set the amount – that's up to your commissioners.

Key Components: **Section 76-3-510, MCA would be amended to read:** *A local government may require a subdivider to pay or guarantee payment for part or all of the costs of construction or extending capital facilities related to education.* **Section 7-6-1601 would be amended to include capital facilities related to K-12 education** as one of six public facilities requiring a two-thirds majority of a city or county government. SB 508 gives the opportunity for towns and cities to spread the cost of expanding or building schools equitably when the need for added capacity is because of new development.

With impact fees, new growth and development pays a proportionate share of the cost of new facilities to serve new growth. School impact fees come from an analysis of school district capital facilities needed to meet projected enrollments. This is tied to population growth. School impact fees apply to residential development only.

Why is this bill important now? Of the school districts in Montana that issued bonds between 1992 and 2007, 24 of those districts experienced student enrollment growth of 50% or greater. These school districts, both large and small, spent \$65,321,900 to build added classrooms, computer labs, libraries, etc., due to the impact of development.

Why are schools treated differently from other public services? One of the ways government preserves the general welfare of its citizens is by ensuring that public schools are able to provide the services required to meet the needs of the community. **Montana law recognizes that new subdivisions have an impact on schools.** K-12 public school districts are asked to spell out what impact a new development will have a school district. But while the developer pays for the impacts a development has on basic services such as roads, water, sewer, gutters, fire and sheriff protection, **school districts are required to tax all** of their constituents for the entire impact of a development, when added capacity to house additional students is needed. This is both unfair and inconsistent.

Concerns about bonding capacity. Bonding capacity may be outstripped when new growth occurs quickly or when commercial development does not keep pace with residential development. Rapid residential development causes student populations to increase faster than schools can be built to accommodate them. For example, the Monforton School District in south central Montana has recently had 1300 housing units approved for development. This means that this K-8 district could see an additional 360 students. At today's prices, a new elementary school costs \$20,000 per student and a new middle school is about \$25,000 per student. A new home today in Montana generates anywhere from .3 to .4 students per household, depending upon a number of factors. This district's present bonding capacity is under \$5,000,000. The price of an expansion will cost \$7,800,000. There are many similar situations around Montana today. **There are a growing number of school districts around the state concerned about their ability to provide adequate facilities to serve new growth.**

SB 508 resolves inconsistencies in existing Montana laws (Sections 7-6-1601, 20-9-508, 76-3-510, 76-3-601, MCA), which reduce potential conflicts between school districts, local governments and developers.

Arguments You May Hear Against SB 508

↓ Impact fees for schools will discourage development in Montana, passing on costs to people who can least afford them.

⇒ **SB 508 simply allows city or county governments to make a choice by a majority vote to decide if impact fees for schools are appropriate. It is up to the elected local government officials to decide what is beneficial for their communities.**

↓ “Starting an impact fee for schools would require complex economic studies, open “an accounting can of worms” and be “subject to a lawsuit.” “Courts have held that for impact fees to be legal, there must be a rational connection between the development and the fee, and the fee must be proportional.” (Byron Roberts, Montana Building Industry, Bozeman Chronicle, March 13, 2007)

⇒ **The impact of new development on a school system is quantifiable and is in place in about 25 states. Although methodologies vary from state to state or county to county, the basic equation is the same. An “essential nexus” is demonstrated and fees are proportional as required by Montana law (Section 7-6-1601, MCA): (1) Separating infrastructure improvements due to renovation versus a need for added capacity due to development, for example, is calculable, and (2) When anything changes in the impact fee equation, for example, if student enrollment growth didn’t turn out to be what was expected, the fee changes. Look west to our neighbors in Washington for excellent examples of school impact fee formulas and procedures.**

Several school districts in Montana are in the process of, or have completed impact fee studies. The cost of present and future growth, student enrollment and analysis of school facilities is quantifiable and legally defensible.

↓ New development brings new taxes, which should be sufficient in accommodating an influx of students.

⇒ **This is a common misconception. To fund the construction or expansion of a school facility, voters must approve a bond levy for that purpose. If, for example, there are 900 homes in a district and a new subdivision adds 100 more homes, these 100 new homes are adding all of the impact but are only paying 10% of the cost, should school district voters approve the passage of a bond levy for school construction. SB 508 gives local governments the flexibility to require developers to fund a proportionate share of school district capital improvements to serve new growth, thereby spreading out the cost of growth in school district amongst all taxpayers.**

2007-03-27

Amsterdam School looking at future expansion

By Michael Tucker, staff writer

Amsterdam school is bulging at the seams and with two new subdivisions proposed in the area, officials are taking measures to make sure the small rural school doesn't burst.

The school's enrollment jumped by 20 students this year, for a total of 98, Gallatin County Superintendent of Schools Mary Ellen Fitzgerald said. While 20 students may not seem like many, the building is out of room. Students do not even have a lunch room or a gym.

The school's situation is a unique one in the valley, Fitzgerald said. While Amsterdam has its own school district and technically is a K-8 school, students in grades seven and eight attend Manhattan Middle School. The Manhattan School District even supplies lunch for the Amsterdam School. Only Cottonwood School has a similar arrangement.

What does make Amsterdam like most schools in the Gallatin Valley is the effects of growth on the cash-strapped district.

"You can't really do anything about it until it hits you, and then you are behind the eight ball right away," acting Board Chair John Fowler said. "Twenty kids show up on your doorstep and you don't have the room for them."

The board will meet April 19 to discuss ways to help the burgeoning school, Fowler said. The district will look at its ability to generate a \$1 million expansion bond and put it to the voters in the fall.

Trustees would like to add four classrooms onto the north end of the school, Fowler said. But questions remain if \$1 million will be enough.

"We're hoping it would be," Fowler said. "But the problem with going with four classrooms is that in a few years you have to go back to the taxpayers for more. You would like it to be over and done with it once."

One million dollars doesn't seem to go as far as it used to, Fitzgerald said. The school may have to call on community members to volunteer for services like painting.

"I don't know what you can get for \$1 million with inflation and construction costs the way they are these days," she said.

But developers of the two subdivisions are stepping up to help ease the burden, Fowler said. Amsterdam Village has donated eight acres for a possible school site, and plans to self-impose a \$1,000-perlot impact fee to generate \$372,000 for the school, according to plans. The developers, CTA Architects Engineers, will also donate free consulting, blueprints and grant writing for the school.

"You can't stop development," Fowler said. "And when you have a group that approach you like these people have, it's a lot better than having someone who won't to talk to you at all."

Subdivision planners have been working with the community for about a year, said Wayne Freeman, director of CTA Landworks division. CTA has drawn up plans for a school to be built in three phases.

The first phase would build the additional classrooms, he said. The remaining phases address the school's lack of a multipurpose room for lunch and gym use and expands the library. CTA also plans to install a fire hydrant and high-pressure water lines from the development to serve the school.

"We have a good working relationship with the school," Freeman said. "We feel we have a stake in the district and we are making sure the school is successful."

Another subdivision, Churchill Northeast is also looking to donate money to the school, said Brian Rippey, a developer's representative.

Actual numbers are not out yet due to the early planning stage of the development, but the developers are "committed" to helping the school, he said.

If everything lines up, Amsterdam school may see construction in the Spring of 2008, Fowler said. But there is still a lot involved to get everything off the ground.

"We have to do something, because we are running out of room," he said.

FOUR CORNERS COMMUNITY PLAN

VISION STATEMENT

(As Adopted 4/11/6)

Four Corners is a community of diverse neighborhoods and a variety of uses mixed with rural development and agricultural production, all situated within a potentially fragile environment.

The community:

- Supports new development that is compatible with and preserves the natural and historical environment, including water resources, and protects existing neighborhoods and uses within the community.
- Manages growth to reinforce the agrarian rural/small town character of the area that includes agriculture, open space, and trails as important elements of the Four Corners community's economic, cultural and social structure.
- Supports the provision of adequate public services by new development without compromising existing levels of service or burdening existing residents with the costs of growth. Adequate public services shall be provided as the needs for such services occur.
- Seeks to balance protection of private property rights with the property rights of others.
- Proactively protects the natural and social environment from degradation by existing and future development.